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No. 98-178

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1997

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NOBELPHARMA AB
AND NOBELPHARMA USA, INC.,
*Petitioners*,

v.

IMPLANT INNOVATIONS, INC.,
*Respondent*.

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**On Petition For A Writ Of Certiorari**
**To The United States Court Of Appeals**
**For The Federal Circuit**

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## BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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## RULE 29.6 STATEMENT

Respondent Implant Innovations, Inc. has a parent company named Implant Innovations International Corporation. Implant Innovations, Inc. has no nonwholly owned subsidiaries.

## TABLE OF CONTENTS

RESTATEMENT OF THE CASE . . . . . 1

Restatement of the Facts . . . . . 1

Proceedings in the District Court . . . . . 2

Proceedings In The Federal Circuit . . . . . 4

REVIEW OF THE QUESTIONS PRESENTED BY NOBELPHARMA . . . . . 5

REASONS FOR DENYING THE PETITION . . . . . 5

I. Summary of Respondent's Position . . . . . 5

II. This Case Does Not Raise an Important Issue Regarding the *Noerr-Pennington* Doctrine . . . . . 8

A. There Is No Tension Between *Walker Process* And The *Noerr-Pennington* Doctrine Because *Walker Process* Claims Routinely AriseWhere The Alleged Monopolist Has Never Sued To Protect The Fraudulent Patent. . . . . 8

B. Review Is Unwarranted Because The Federal Circuit Was Correct That A *Walker Process* Theory Can Exist Separately And Independently From A "Sham Litigation" Theory . . . . . 9

C. There Is No Confusion In The Law And There Is No Perceived Or Actual Tension In The Circuits On The Central Issue In This Case: A Company With Monopoly Power Acquired Or Maintained Through The Practice Of Committing Intentional And Wilful Fraud On The Patent Office Is Subject To Sherman Act Liability. . . . 12

III. Assuming Arguendo That Footnote 6 In *PRE* Has Resulted In A "Tension" In The Circuits, This Is Not the Case To Resolve Such Theoretical Concerns.. . . . . 16

A. Nobelpharma At Trial Waived The Issue Now Said To Need Attention: There Was No Objection To The Jury Instruction Setting Forth The Elements Of A *Walker Process* Case. . . . . 16

B. The Relief Requested Is Nugatory: The Jury Verdict Was Based On Frauds And Instructions To Support The Judgment That Were Never Questioned Or Appealed. . . . . 18

C. This Case Should Not Be Used To Modify The Law Or Correct The Judgment Because The Jury In Its General Verdict Accepted Both *Walker Process* and *PRE*. . . . . 18

D. Further, The Relief Requested Is Nugatory Because The Federal Circuit Correctly Held That Any Further Jury Instructions On The *PRE* Issue Were Pointless — Passing Arguendo The Waiver Issue.. . . . . 20

IV. There Is No Conflict Between The Circuits On The Issue Of Whether Intentional Omissions Can Result In A Finding Of Fraud Under *Walker Process* . . . . . 21

V. The Federal Circuit Was Correct In Affirming The District Court's Evidentiary Rulings Regarding The Crime-Fraud Exception; Nobelpharma's Argument That A Conflict Exists Within The Various Circuits On This Issue Should Be Rejected . . . . . 24

CONCLUSION . . . . . 29

## TABLE OF AUTHORITIES

### FEDERAL CASES

*American Cyanamid Co. v. FTC*, 363 F.2d 757 (5th Cir. 1966) . . . . . 23

*Beckman Instruments, Inc. v. Chemtronics, Inc.*, 439 F.2d 1359 (5th Cir. 1970). . . . . 23

*Bendix Corporation v. Balax, Inc.*, 421 F.2d 809 (7th Cir.), *cert. denied*, 399 U.S. 911 (1970) . . . . . 23

*California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. at 508 (1972) . . . . . 11

*Cataphote Corp. v. DeSoto Chemical Coatings, Inc.*, 450 F.2d 769 (9th Cir. 1971) . . . . . 22

*Clark v. United States*, 289 U.S. 1, (1933). . . . . 26, 28

*Clipper Exxpress v. Rocky Mountain Motor Tariff Bureau*, 690 F.2d 1240 (9th Cir. 1980), *cert. denied*, 459 U.S. 1227 (1983) . . . . . 13, 22

*E.I. DuPont de Nemours v. Berkley*, 620 F.2d 1247 (8th Cir. 1980) . . . . . 23

*Hospital Building Co. v. Trustees of Rex Hosp.*, 691 F.2d 678 (4th Cir. 1982) . . . . . 13

*Hydranautics v. FilmTec Corp.*, 70 F.3d 533 (9th Cir. 1995) . . . . . 13

*Hydra Tech Corp. v. Sundstrand Corp.*, 673 F.2d 1171 (10th Cir. 1982) . . . . . 14

*Kottle v. Northwest Kidney Centers*,— F.3d —-, No. 96-3658, 1998 WL 318807 (9th Cir. June 18, 1998). . . . . 13

*Liberty Lake Investment, Inc. v. Magnuson*, 12 F.3d 155 (9th Cir. 1993). . . . . 13

*Oetiker v. Jurid Werker G.m.b.H.*, 556 F.2d 1 (D.C. Cir. 1977) . . . . . 23

*Potters Med. Ctr. v. City Hospital Ass & Association*, 800 F.2d 568 (6th Cir. 1986) . . . . . 14, 28

*Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc.*, U.S. 49 (1993) . . . . . 3

*In re Sealed Case*, 107 F.3d 46 (D.C. Cir. 1998) . . . . . 27

*Semke v. Enid Auto Dealers Association*, 456 F.d 2d 1361 (10th Cir. 1972). . . . . 14

*United States v. Bauer*, 132 F.3d 504 (9th Cir. 1997) . . . . . 28

*United States v. White*, 887 F.2d 267 (D.C. Cir. 1989) . . . . . 27, 28

*United States v. Zolin*, 491 U.S. 554 (1989) . . . . . 27

*Walker Process Equip., Inc. v. Food Machinery & Chem.* Corp., 382 U.S. 172 (1965) . . . . . 1

**FEDERAL STATUTES AND RULES**

18 U.S.C. §1001. . . . . 1

35 U.S.C. § 102(b) . . . . . 22

Supreme Court Rule 15.2 . . . . . 1

**MISCELLANEOUS**

Phillip E. Areeda & Herbert Hovenkamp, ANTITRUST LAW, Vol. III (Rev. ed. 1996). . . . . 24

Julian O. von Kalinowski, et al., *Antitrust Laws and Trade Regulation*, Vol 4 . . . . . 24

*Antitrust Developments* 1955-1968. . . . . 23

*Antitrust Developments (Second)* (1982) . . . . . 23

Lawrence A. Sullivan, *Developments in the Noerr Doctrine*, 56 Antitrust L.J. 361 (1987). . . . . 15

Eunice A. Eichelberger, Annotation, *Fraud in Patent Procurement as a Violation of § 2 of the Sherman Act*, 65 A.L.R. Fed 409 (1983) . . . . . 24

Pursuant to Supreme Court Rule 15.2, Respondent, Implant Innovations, Inc. ("3i"), is obligated to restate the case, facts, and proceedings below as Petitioners, Nobelpharma AB and Nobelpharma USA, Inc. ("Nobelpharma"), have not fairly presented these matters to the Court.

## RESTATEMENT OF THE CASE

Contrary to Nobelpharma's representations, this case involves much more than "alleged misrepresentations or omissions". In fact, the case arises from a pervasive fraud of the worst kind — intentional deception of the PTO used to acquire and maintain an unlawful monopoly in an important sector of the medical device market, dental implants.

### Restatement of Facts

The jury found that the inventors and their agents (which included an attorney hired by Nobelpharma) obtained a patent monopoly by intentionally defrauding the Patent Office and that Nobelpharma had actual knowledge of this fraud at the time it brought suit against 3i. A9-10. More specifically, the evidence demonstrated that Nobelpharma's patent application contained intentionally false statements regarding the *entire* scientific basis of the alleged invention claimed in the '891 patent. Further, the patent application, submitted under penalty of perjury and with full knowledge of 18 U.S.C. §1001, falsely declared that the claimed invention had not been disclosed in a prior printed publication, when in fact it had. A10302. Indeed, the named inventor in the patent application who, as in *Walker Process Equip., Inc. v. Food Machinery & Chem. Corp.*, 382 U.S. 172 (1965) (hereinafter "*Walker Process*"), was a party to the fraud, declared falsely that the claimed invention was not "disclosed in any printed publication" more than one year prior to his application, even though the inventor's own book, published approximately two years prior to the applicable filing date, included each and every element of the claims in the '891 patent. A10302. The various frauds which Nobelpharma, the inventors, and their agents practiced on the Patent Office — and subsequently in the federal

courts — went to the very core of the "invention" claimed in the '891 patent.

In view of the overwhelming evidence of Nobelpharma's intentional fraud, the jury easily found that Nobelpharma unlawfully obtained and practiced a monopoly in this discrete medical products market. A9-10. As a direct result, Nobelpharma extracted monopolistic profits representing 65% of every sales dollar or 300% over its costs. A5230-32. The jury's verdict was supported by substantial — indeed overwhelming — evidence.

**Proceedings in the District Court**

Nobelpharma's patent case was dismissed at the close of its case-in-chief because the application filed with the United States Patent Office deliberately concealed the "best mode of practicing the claimed invention." Pet. App. 30a-33a. As the Federal Circuit held, "the evidence at trial leads to only one reasonable conclusion: Branemark [the inventor] possessed a preferred method of making the claimed invention and failed to disclose it sufficiently to enable those skilled in the art to practice that method." Pet. App. 9a. The evidence was compelling: the inventor testified that the disclosure was not made because it was essentially a trade secret. *Id.*

3i's antitrust counterclaim then proceeded. Thus, like the situation in *Walker Process*, 3i's antitrust case commenced after the patentee's original infringement complaint had been dismissed. Since the case was submitted to the jury as a Sherman Act antitrust case, the district court properly instructed the jury regarding basic Sherman Act issues, *e.g.*, monopoly power, the exercise of monopoly power, relevant product and geographic markets, and the wilful exercise of monopoly power through "restrictive or exclusionary conduct." A7212-22. The jury was specifically instructed that the issue was whether Nobelpharma had maintained or acquired monopoly power in the relevant market through the exercise of certain exclusionary practices. A7221-22. Without objection, the jury was then told that a violation of the Sherman Act could be found based upon any one of four exclusionary practices: (1) enforcing the patent with actual knowl-

edge that the patent was obtained by fraud, *i.e.*, *Walker Process*; (2) lawsuits filed "for the purpose of driving . . . competitors, including 3i, out of the market ... even though, Nobelpharma knew that the patents were invalid and unenforceable", *i.e.*, *Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc.*, 508 U.S. 49 (1993) (hereinafter *"PRE"*); (3) the use of both the first and second exclusionary practices; or (4) improperly enforcing the '891 patent with the "intent to extend the scope of the claims of the '891 patent" beyond the limitations of the patent *i.e.*, patent misuse. A7221-22.

There was substantial evidence to support each exclusionary practice — including no. 4 above, which implicates neither *PRE* nor *Walker Process*. The record thus discloses an independent basis to support the decision below which has nothing to do with *Walker Process*, *PRE* or the *Noerr-Pennington* doctrine. Further, this independent basis is not challenged in the Petition.

The jury had every right to consider each of the four exclusionary practices set forth above. Additionally, there was no objection to the instruction, and the suggestion to this Court that the case was based upon "mere omissions" is unfortunate and wrong.

The district court, also without objection, instructed the jury that they could find fraud on the Patent Office if intentional misrepresentations were made regarding the actual invention. A7224-25. Nobelpharma did not request an instruction requiring the jury to find that its patent enforcement litigation was objectively baseless. This was hardly surprising since Nobelpharma's trial strategy was to defend its actions on the merits and not to claim that its actions were protected by any First Amendment right to petition the government.

Further, with respect to the *Walker Process* fraud theory (no. 1 above), Nobelpharma filed no objections to this instruction as given nor did it file any post-trial motion complaining of the *Walker Process* jury instruction. However, Nobelpharma *objected* to a *PRE* instruction that included an "objectively baseless" test which had been submitted by 3i. A5833-34. Nobelpharma argued that, under the law, *Walker Process* antitrust

liability was required to be based on a finding of "actual knowledge" of the fraud. *Id.* Accordingly, the district court included the "actual knowledge" requirement as a proxy for the phrase "objectively baseless." Further, the district court correctly determined that if Nobelpharma knew that the '891 patent was invalid at the time it sued 3i, then the lawsuit was objectively baseless. A5766.

After a short deliberation, the jury rendered a verdict in 3i's favor supported by answers to special interrogatories finding that the inventors and their agents had intentionally misled the PTO and concealed from the PTO critical information relevant to the patentability of the invention claimed in the '891 patent. A9. The jury also found that Nobelpharma, the assignee of the patent, knew that the patent had been obtained by fraud and that the patent was invalid when it commenced the instant action against 3i. A10.

**Proceedings In The Federal Circuit**

The Federal Circuit's decision is in part an *en banc* opinion holding as a matter of patent law — within the Federal Circuit's jurisdiction — that at least two theories of antitrust liability for aggravated patent misconduct exist: (1) procuring and maintaining an unlawful monopoly grant by deliberate fraud with actual knowledge of the fraud; and (2) enforcing a patent — whether fraudulently obtained or not — by the use of baseless litigation filed for the purpose of interfering with a competitor's business and injuring competition. Pet. App. 22a. The Federal Circuit held that if *Walker Process* fraud is established, "such liability can be imposed without the additional sham inquiry required under *PRE*." Pet. App. 23a. Furthermore, the Federal Circuit held that, in light of the pervasive fraud by Nobelpharma, Nobelpharma could not have benefitted from an "objectively baseless" instruction. Pet. App. 26a. Thus, to the extent the Federal Circuit identified an issue left open by this Court in *PRE*, the Federal Circuit recognized that the resolution of that issue would have no bearing on the outcome of this litigation.

## REVIEW OF THE QUESTIONS PRESENTED BY NOBELPHARMA

The purported questions presented to this Court by Nobelpharma are inaccurate, unfair and in no way reflect the factual record. This case is not one of mere omissions or technical misrepresentations; it is a case of pervasive, conscious fraud involving wilful and intentional misrepresentations of fact, as well as the active concealment of material that would have prevented the acquisition of a medical monopoly. Additionally, there was overwhelming evidence supporting the fact that Nobelpharma knew the patent had been obtained by fraud at the time it filed suit against 3i. What Nobelpharma's "questions presented" completely ignore is that this actual fraud, known at the time the case was filed, establishes automatically that Nobelpharma's case against 3i had no reasonable or "objective" basis in fact or law.

Further, the statement of questions presented also ignores the fact that Nobelpharma at trial made no objection to a jury instruction that used the very words now complained of: "misrepresentations or omissions." Nobelpharma never questioned at trial the issue presented to this Court, *i.e.*, the legal proposition that an antitrust claim based in part on "misrepresentation or omissions" should not have been allowed to go to the jury.

Finally, Nobelpharma has misstated the holdings of the courts below regarding the crime-fraud exception to the attorney-client privilege in order to manufacture an illusory "split" in the circuits.

## REASONS FOR DENYING THE PETITION

### I. Summary of Respondent's Position

Although Nobelpharma would have this Court believe that this is truly an exceptional case that presents three separate bases for plenary review, the fact of the matter is that this case presents only the factbound application of well-settled law to a garden-variety *Walker Process* antitrust case. The Federal Circuit's decision — which affirmed the jury's verdict that Nobelpharma unlawfully wielded monopoly power by fraudulently obtaining a

patent and also attempting to enforce that patent through (among other methods) litigation — is not in tension with (and certainly does not conflict with) the settled law of the other circuits. The case law the Petitioner cites is consistent with the Federal Circuit's decision and, in any event, was on the books long before this Court's decision in *PRE*.[1/]

Not only is there no "tension" among the circuits, 3i asserts that, in reality, there is no issue in dispute at all. Although the Court in *PRE* suggested that it was not reaching the relationship between *Walker Process* fraud claims and the *Noerr-Pennington* doctrine, upon inspection it is plain that a *Walker Process* claim does not implicate *Noerr-Pennington* concerns. The reason for this is simple: *Walker Process* claims can be (and often are) brought as direct actions where the alleged monopolist has not "petitioned" the government, *i.e.*, the federal courts, at all. Indeed, that is precisely what happened here, as Nobelpharma's case was dismissed before the jury considered 3i's antitrust claims. Where, as here, the only claim decided by the jury was the antitrust claim raised by the alleged infringer, no *Noerr-Pennington* or other First Amendment "right to petition" issues are implicated. This observation explains the lack of any conflict among the lower courts.

Further, under closer scrutiny, Nobelpharma's proffered "tension" is plainly a red herring. As the Federal Circuit's decision implicitly recognizes, any patent enforcement action in which the monopolist has actual knowledge of the fraud underlying the patent would clearly constitute objectively baseless (and, thus, sham) litigation, vitiating any *Noerr-Pennington* protections. In light of the heightened scienter required to prove a *Walker Process* antitrust claim, it would be difficult to conjure up a scenario in which a successful *Walker Process* plaintiff would

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[1/] To demonstrate the lack of conflict, since *PRE*, there have been no decisions by the Courts of Appeals contrary to the Federal Circuit's decision in this case.

not necessarily have shown that the infringement litigation brought against it was objectively baseless and thus a sham.

In any event, even if there were "tension" among the circuits, this case is an unsuitable vehicle for resolving these issues for several compelling reasons. First, Nobelpharma waived any right to allege error in this Court because its strategy at trial was precisely that which the Federal Circuit adopted. The Petitioner *opposed* the submission of a jury instruction which incorporated the sham exception's "objectively baseless" test because it believed that no such instruction was necessary in a *Walker Process* case such as this. A5833-34. Only after the jury returned a verdict against it, did the Petitioner renounce its trial strategy and cry foul. This clear waiver notwithstanding, review is also inappropriate because there is a separate, sufficient and independent basis for the jury's verdict against Nobelpharma which has no relationship to either *Walker Process* or *PRE*. The decision to review only one of the bases for the verdict would be nugatory as it would have no effect on the ultimate resolution of this case. Finally, review here would also be meaningless because, as the Federal Circuit observed, the fraud which Nobelpharma practiced on the Patent Office was so outrageous and pervasive that Nobelpharma's enforcement action against 3i clearly was without "probable cause" under any test the Court could conceivably enunciate.

Additionally, there is no dispute among the lower courts regarding whether an "omission" (whatever that may be) is sufficient to satisfy the requirements of *Walker Process*. Even if there were such a dispute, Nobelpharma waived the issue and further, the *affirmative misrepresentations* in this record were pervasive, indeed criminal. To classify them as "mere omissions" is to ignore completely the record below. Indeed, the misrepresentations here were identical in nature to those at issue in *Walker Process* itself, thus foreclosing any issue as to whether they are sufficient to establish antitrust liability under *Walker Process*.

Finally, the alleged "crime-fraud" issue is neither certworthy nor fairly presented by Nobelpharma. Not only has the issue

been waived, but the courts below applied the usual rules which govern the issue developed by this Court and which have been uniformly applied by the Courts of Appeals.

## II. This Case Does Not Raise an Important Issue Regarding the *Noerr-Pennington* Doctrine

### A. There Is No Tension Between *Walker Process* And The *Noerr-Pennington* Doctrine Because *Walker Process* Claims Routinely Arise Where The Alleged Monopolist Has Never Sued To Protect The Fraudulent Patent

The decision of the Federal Circuit is correct. A monopoly *acquired* through pervasive fraud in which the general product market is materially damaged supports a Sherman Act violation where the monopolist has actual knowledge of the fraud and uses this fraudulently-obtained monopoly to restrain competition. Indeed, in cases where the antitrust plaintiff does not wait to be sued for infringement — and claims injury based on the harm caused to competition by the mere existence of the patent (as was the case here) — the *Noerr-Pennington* doctrine is simply irrelevant because the alleged monopolist has not "petitioned" the government for any redress of grievances. Thus, Nobelpharma's suggestion that this Court should emasculate the antitrust laws because this case constitutes an "end around" the sham litigation rules set down in *PRE* is disingenuous. Plenary review of this case is simply unwarranted because there is no tension between *Walker Process* on the one hand and *PRE* and the *Noerr-Pennington* doctrine on the other.

Indeed, as the Petition concedes, an antitrust case can be brought as an original action by an injured competitor as well as in the form of a counterclaim to a patent infringement charge. The plaintiff in such a case seeks traditional antitrust relief. There is no *Noerr-Pennington* issue because no First Amendment "petition" exists in such a setting. To the extent the First Amendment is implicated at all in such cases, its application arises only where the alleged monopolist beats the *Walker Process* claimant to the courthouse steps and files an infringement action first, thus

requiring the *Walker Process* claimant to file a compulsory counterclaim. Clearly, First Amendment concerns should not turn on such vagaries.

In fact, *Walker Process* was just such a case: there, the original "petitioner" and owner of the patent dismissed the patent case with prejudice "because the patent had expired." 382 U.S. at 174. Thereafter, the defendant amended its counterclaim, adding a Sherman Act case alleging monopoly power through a patent which had been acquired by fraud. The Court in *Walker Process* did not consider the First Amendment or *Noerr-Pennington* as impediments to such a claim for obvious reasons: there was no "petition" to be protected by the First Amendment.

Just as was the case in *Walker Process*, 3i's antitrust claim proceeded *after* the dismissal of Nobelpharma's infringement case. 3i — as in *Walker Process* — then proceeded with an antitrust case based upon a monopoly grant from the Patent Office — procured by fraud — under circumstances where Nobelpharma had actual knowledge of the fraud. 3i proved that this fraudulent monopoly eliminated competition and materially damaged 3i's ability to sell competitive products. The evidence showed that Nobelpharma's prices were 65% higher than 3i's. A5155. The jury and the courts below agreed. In so doing, no First Amendment issues were implicated, and certainly none that would require this Court's attention.

### B. Review Is Unwarranted Because The Federal Circuit Was Correct That A *Walker Process* Theory Can Exist Separately And Independently From A "Sham Litigation" Theory

Review is also unwarranted because the Federal Circuit correctly recognized that there are at least two independent bases for imposing antitrust liability in the patent-fraud context. Indeed, no court has ever held otherwise.

It is beyond dispute that the Sherman Act can be violated by sham litigation where a baseless lawsuit is filed by a monopolist for the purpose of damaging or eliminating competition. A

patent monopolist can bring a "baseless" infringement action to eliminate competition. Such a petition — *i.e.*, a baseless complaint — is denied antitrust immunity if the conditions of *PRE* exist. However, baseless litigation does not require that the underlying patent monopoly itself have been procured by fraud.

It is equally well-settled that antitrust liability can be imposed where a monopolist seeks to enforce a patent it knowingly and intentionally procured as a result of fraud before the Patent Office. *See, e.g., Walker Process.* When a monopolist seeks to enforce a patent that it knowingly and wilfully obtained through fraud, it violates the Sherman Act regardless of whether it seeks enforcement through objectively baseless litigation. Baseless litigation does not require that the underlying patent monopoly itself be procured by fraud. Thus, the Federal Circuit correctly concluded:

> . . . *Walker Process* antitrust liability is based on the knowing assertion of a patent *procured by fraud* on the PTO, very specific conduct that is clearly reprehensible. On the other hand, irrespective of the patent applicant's conduct before the PTO, an antitrust claim can also be based on a *PRE* allegation that a suit is baseless. *PRE*, 508 U.S. at 60-61, 26 USPQ2d at 1646.

Pet. App. 23a (emphasis added). The procuring of a patent monopoly by fraud is one issue. Valid patents can nonetheless violate the Sherman Act if a "baseless" infringement action is filed to eliminate competition.

Thus, two separate bases exist for the imposition of antitrust liability. That is what the Federal Circuit concluded; no court has ever held otherwise. Nonetheless, the Petitioner argues that *Walker Process*-type claims are at odds with the *Noerr-Pennington* doctrine, and that absent application of the "objectively baseless" test adopted by this Court in *PRE* for sham litigation, litigants will have no way to assess potential liability in seeking redress from courts in patent enforcement proceedings.

Contrary to Petitioners' arguments, this case is simple and straightforward, and does not present any important or novel issues in need of this Court's review. First, the Federal Circuit was very specific about the type of conduct that would satisfy a *Walker Process* claim — only knowing and willful fraud. Given this standard, this case falls squarely within the decisions of this Court and all Circuit Courts of Appeals, which recognize that knowing and wilful misrepresentations within the adjudicatory process are not immunized under the First Amendment and *Noerr-Pennington*. Consistent with these decisions, neither this Court nor any Circuit Court of Appeals has found it necessary to conduct an "objectively baseless" inquiry when faced with evidence or allegations that support a finding that a patent has been obtained through knowing and willful fraud.

Indeed, application of such a test would be an exercise in futility in the context of bad faith patent enforcement litigation because a litigant who knows going into a suit that his patent is invalid and unenforceable certainly lacks "probable cause" to bring the suit. By definition, any such suit would be objectively baseless as a matter of law. Thus, although the Petitioners argue that such an additional test is necessary as a Constitutional safeguard, the reality is that such a requirement would be nothing more than surplusage.

As Petitioners acknowledge, the *Noerr-Pennington* doctrine originally developed to protect those who seek redress from the legislative or executive branches of government. Pet. at 9. While Petitioners are correct that this Court extended the *Noerr-Pennington* doctrine to protect those who seek redress from the judiciary, Petitioners fail to acknowledge the limitations that have always existed on the right to petition as applied to adjudicatory proceedings. *See California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 512-13 (1972). Thus, contrary to Petitioners' argument, no "tension" exists between *Walker Process* and *Noerr-Pennington*. Rather, as this Court has always acknowledged, a fundamental difference exists between the legislative and executive branches on the one hand, and the judiciary on the other.

In sum, there is no compelling issue presented by the Petition. *Walker Process* claims routinely proceed to the jury as declaratory judgment actions in which there is no "petition" by the alleged monopolist, and thus implicate no *Noerr-Pennington* concerns. In fact, that is precisely what happened here as the Petitioner's claim was dismissed prior to the jury's resolution of 3i's Sherman Act claim and the damages assessed by the jury reflected the injury to competition based on the existence of the unlawful patent monopoly not on the actual filing of the lawsuit. Furthermore, there is no need for this Court to determine whether an additional "objectively baseless" instruction should be given in cases such as this since any litigation initiated with actual knowledge that the patent was obtained as a result of pervasive fraud would be, by definition, objectively baseless. Finally, *Noerr-Pennington* has a limited application in the adjudicatory context, and no decisions of this Court suggest that such a doctrine would apply to prevent a *Walker Process* claim from going to the jury.

### C. There Is No Confusion In The Law And There Is No Perceived Or Actual Tension In The Circuits On The Central Issue In This Case: A Company With Monopoly Power Acquired Or Maintained Through The Practice Of Committing Intentional And Wilful Fraud On The Patent Office Is Subject To Sherman Act Liability

The Petition also argues that a "tension" exists between those cases that recognize an antitrust theory premised on a fraudulently-procured patent, and this Court's decision in *PRE*. However, there is no decision of any Circuit (let alone this Court) that adopts the proposition that a filing based upon a fraudulently-obtained patent with actual knowledge of the fraud is somehow immune from antitrust review. All Courts of Appeals which have considered the issue since this Court's decision in *PRE* hold that *Walker Process*-type fraud alone supports a violation of the antitrust laws, and the decisions that pre-date *PRE* do not support a "second approach" on the issue.[2/]

BEST AVA

Nobelpharma counts the Ninth Circuit as part of a supposed "second line of authority" that has attempted to merge *Walker Process*-type claim with the "objectively baseless" requirement of *PRE*. In fact, the Ninth Circuit has been the most specific of any circuit in identifying and articulating the existence of a separate theory of antitrust liability based upon the making of intentional misrepresentations in the context of a judicial proceeding. *See Kottle v. Northwest Kidney Centers*, — F.3d —, No. 96-3658, 1998 WL 318807, at *3-4 (9th Cir. June 18, 1998) (identifying a *Walker Process*-type claim as one of three viable theories "[w]hen the branch of government involved is a court of law.") Without the necessity for a finding of "objectively baseless," the Ninth Circuit holds that "litigation can be deemed a sham if 'a party's knowing fraud upon, or its intentional misrepresentations to, the court deprive the litigation of its legitimacy.'" *Id.*, 1998 WL 318807, at *4 (*citing Liberty Lake Inv., Inc. v. Magnuson*, 12 F.3d 155, 158 (9th cir. 1993); *Clipper Express v. Rocky Mountain Motor Tariff Bureau*, 690 F.2d 1240, 1260 (9th Cir. 1980)). [3/] Thus, the Ninth Circuit's position is the same as the Federal Circuit's, and that of all circuits to consider the issue since *PRE*.

The petitioner next cites the Fourth Circuit's decision in *Hospital Building Co. v. Trustees of Rex Hosp.*, 691 F.2d, 678, 687-88 (4th Cir. 1982), which was decided ten years before *PRE*.

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[2/] All Circuits to consider the issue since *PRE* have held that *Walker Process* remains good law, without the need for a further "sham" inquiry as set forth in *PRE*. Indeed, Nobelpharma concedes that the Federal, District of Columbia, and Eleventh Circuits adopt such a view. Pet. at 16-17.

[3/] Although Nobelpharma argues that in *Hydranautics v. FilmTec Corp.*, the Ninth Circuit applied *PRE*'s objectively baseless test to a *Walker Process* claim, the court actually made quite clear that it was not deciding whether "FilmTec's alleged fraud would render FilmTec's infringement claim objectively baseless" 70 F.3d 533, 538 n. 1 (9th Cir. 1995).

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*Rex Hospital* has nothing to do with deliberate frauds practiced in the Patent Office. Nevertheless, in *Rex Hospital,* the court did recognize that intentional misrepresentations are "clearly" unprotected by *Noerr-Pennington*. *Id.* at 688. The court merely disapproved of instructions allowing liability based upon *any* use of the courts pursuant to an anticompetitive scheme. *Id. Rex Hospital* does not conflict with the Federal Circuit's decision in this case.

The Petitioner also cites *Potters Med. Ctr. v. City Hospital Ass & Association*, 800 F.2d 568 (6th Cir. 1986), another decision rendered well before *PRE*. The Sixth Circuit said nothing in conflict with the decision of the Federal Circuit. Indeed, the Sixth Circuit repeated the proposition adopted by the Federal Circuit that "knowing false submissions or intentional misrepresentations constitute an abuse of governmental processes, analogous to an antitrust violation which occurs when one procures a patent through fraud on the patent office." *Id.* at 580. The Sixth Circuit simply held that insufficient evidence supported the theory — not that some other legal requirement had to be met. The Sixth Circuit in 1986 had no occasion, of course, to consider the two-part test that the Supreme Court adopted in *PRE* in 1993.

Next, the purported tension is also allegedly supported by *Semke v. Enid Auto Dealers Association*, 456 F.2d 1361 (10th Cir. 1972). This decision, rendered twenty-one years before *PRE*, creates no conflict with the decision of the Federal Circuit in this case. Indeed, the Tenth Circuit appears to recognize that, given sufficient facts, liability may be imposed based on "fraud, corruption *or* misuse of the state processes." *Id.* at 1366-67 (emphasis added).

Finally, Nobelpharma cites *Hydra Tech Corp. v. Sundstrand Corp.*, 673 F.2d 1171 (10th Cir. 1982). Again, we respectfully suggest that this decision (eleven years before *PRE*,) creates no conflict. Indeed, the Tenth Circuit in affirming dismissal of the suit emphasized that the plaintiff had not alleged "perjury" or the like in connection with the filing of a lawsuit. *Id.* at 1175. By im-

plication, such evidence — as in this case — would be unprotected by *Noerr-Pennington*.

Nobelpharma also cites various commentators in support of its Petition. However, a review of the literature cited does not support a conclusion of "tension" or "conflict." In Herbert Hovenkamp, FEDERAL ANTITRUST POLICY: THE LAW OF COMPETITION AND ITS PRACTICE, the treatise recognizes that there are multiple theories of liability based upon exclusionary practices including the tying of a patented product to "some unpatentable article," "obtaining a patent by fraud," or "attempt[ing] to enforce a patent known by the holder to be invalid." *Id.* § 7.11.

Next, Robert Bork's THE ANTITRUST PARADOX takes the view that *Walker Process* "is not a mere patent decision but an antitrust precedent of general applicability." In short, the procuring of patents by fraud to maintain a monopoly is an antitrust issue. It is simply another method of "stifling the competition" or "injuring a competitor." *Id.* at 352-353.

Lawrence A. Sullivan's 1987 article in the *Antitrust Law Journal* expressly distinguishes between "improper purpose" cases and "improper means" cases. "The second issue concerns means used by the Petitioner. Though often listed as part of the 'sham' issue, *it is distinguishable*. Its base is not in *Noerr* but in *Walker Process* and *Motor Transport*. Fraudulently obtaining a monopoly grant, misstatements in the judicial context ... are examples of conduct that forfeits *Noerr* protection because of the means used." Lawrence A. Sullivan, *Developments in the Noerr Doctrine*, 56 Antitrust L.J. 361, 364-65 (1987).

In summary, this Court should not take this case based upon cases or articles that do not suggest or disclose any "tension" between *Walker Process* fraud in the procurement of a patent and baseless litigation filed to enforce such a patent. The suggestion that there is a concern or anxiety in the cases and the literature is unfortunate and wrong.

## III. Assuming Arguendo That Footnote 6 In *PRE* Has Resulted In A "Tension" In The Circuits, This Is Not the Case To Resolve Such Theoretical Concerns

### A. Nobelpharma At Trial Waived The Issue Now Said To Need Attention: There Was No Objection To The Jury Instruction Setting Forth The Elements Of A *Walker Process* Case

Nobelpharma's strategy and position in the trial court is remarkably the same as the Federal Circuit's final analysis of the law.

- At trial, Nobelpharma agreed that *Walker Process* fraud gives rise to a separate cause of action that is established by: (1) a patent knowingly procured by fraud; and (2) enforcement of the patent with knowledge of the fraud. Nobelpharma did not object to the theory; did not tender a *PRE* instruction; and did not argue that such any additional instruction was required under *Walker Process*. A5761; A5833-34; A5844-45.
- At trial, Nobelpharma alleged that a *Walker Process* claim required actual fraud and not merely inequitable conduct. A5844-45.
- At trial, Nobelpharma argued that Justice Harlan's concurring opinion in *Walker Process* emphasizing "actual knowledge of the fraud" should be included in the *Walker Process* instruction. A5833-34; A5844-45.
- The district court agreed and a special interrogatory reflected that position. A7223.
- The Federal Circuit opinion includes the very language of Justice Harlan that Nobelpharma relied on, and held that actual knowledge of a fraud was part of *Walker Process*. Pet. App. 18a.

In short, the Federal Circuit's decision adopts the very arguments advanced by Nobelpharma at trial. The Federal Circuit held that, under the law as Nobelpharma argued it, the evidence

supported the verdict. Only after losing the case, did Nobelpharma detect some "tension" in the law. Under the circumstances, the Court should not address an issue that exists in whole or in part because of the Petitioner's positions taken in the district court.

Further, Nobelpharma waived review of the issue it presents by objecting at trial to the very instruction it now seeks. In the instruction conference, Nobelpharma accepted the *Walker Process* law — indeed, it stated that it supported a Sherman Act case. In considering the need to include an "objectively baseless" test - *as proposed by 3i* — Nobelpharma objected and proposed that the law required a stronger test, *i.e.* "actual knowledge" of a fraud. *See* A5761.

During the instruction conference, the only instruction on the substantive law of antitrust relating to this case that Nobelpharma submitted was an instruction entitled "Patent Enforcement." The instruction states: "the filing of a patent infringement suit on a patent known to be invalid or unenforceable may be monopolistic conduct only if the patent owner knew that the patent was invalid or unenforceable." This instruction was essentially given by the district court to the jury. A7240.

We suggest that it is disingenuous indeed for Nobelpharma to ask this Court to resolve subtle differences between two theories of antitrust liability when Nobelpharma agreed to submit both theories to the jury. There was no objection at trial to the jury instructions that an antitrust case could be based upon fraud on a Patent Office by deliberately and intentionally concealing highly relevant technical data and controlling prior art references. As required by its own proffered instructions, the evidence showed that Nobelpharma had actual knowledge of the fraud before filing the patent cases.

Thus, Nobelpharma's present suggestion that review by this Court is necessary because *Walker Process* fraud is an impermissible "end around" the propositions which this Court pronounced in *PRE* is directly contrary to the position it took throughout the lengthy trial of this case. Because it has waived

any right to complain of this perceived error, this Court should deny the Petition.

### B. The Relief Requested Is Nugatory: The Jury Verdict Was Based On Frauds And Instructions To Support The Judgment That Were Never Questioned Or Appealed

The jury found that the evidence supported four different acts of "exclusionary" conduct. The appeal did not— and this Petition does not — question at least one of the theories which is an independent ground to support the result. Therefore, plenary review is inappropriate and unwarranted.

As set forth above, the district court instructed the jury on the theory that Nobelpharma had willfully and knowingly *extended its patent rights beyond the scope of the patent.* On the fourth exclusionary means, the jury was instructed as follows:

> 3i also contends that counterdefendants have unlawfully maintained monopoly power in the relevant market by extending the scope of the '891 patent to certain titanium implants which are not covered by the patent. A7221; *see also* A7241-42.

The jury had every right to consider such exclusionary conduct, and its finding that Nobelpharma wrongfully extended its patent is an adequate and independent ground to support the verdict, regardless of whether the Federal Circuit's *Walker Process* analysis is correct. Since a general verdict was entered, the case has a legitimate basis independent of *PRE* to support the verdict. We suggest therefore that this is not the case to review any supposed "tension" between *Walker Process* and *PRE*.

### C. This Case Should Not Be Used To Modify The Law Or Correct The Judgment Because The Jury In Its General Verdict Accepted Both *Walker Process* and *PRE*

Passing the fact that an independent basis supports the result, the Federal Circuit held that at least two alternative theories of antitrust liability could establish Nobelpharma's use of restric-

tive practices to maintain a monopoly. The first was a *Walker Process* fraud claim. The second was based on sham litigation. The district court instructed the jury that it first had to address whether there was fraud and knowledge of that fraud on Nobelpharma's behalf before it could reach any Sherman Act issues. Under that instruction, the jury first had to determine the reasonableness of the lawsuit by finding that the litigant had "actual knowledge of the fraud" and thus was "objectively baseless." A7225. As the district court explained, a finding that Nobelpharma knowingly committed fraud serves as a proxy to objectively baseless:

> Even if *Real Estate* is applicable to 3i's bad faith claim, whether the lawsuit in question is objectively reasonable, a question of fact for the jury and not for the Court to decide or resolve, if the patent was known to be invalid at the time of suit, the lawsuit was objectively baseless. A5766.

The district court required that "fraud" and knowledge of the fraud be found before any Sherman Act issues could be considered. Under those circumstances, the element of the reasonableness of the lawsuit is established, *i.e.*, if you have *actual knowledge of the fraud*, then the bringing of the action cannot be considered "objectively" reasonable.

Therefore, the question allegedly presented by the Petition — whether the district court erred in failing to instruct the jury on the sham exception's objectively baseless test — is in fact not presented in this case at all. Nobelpharma never suggested to the district court that there was only one viable theory or that *Walker Process* had to include the elements of *PRE*. Nevertheless, the second element of *PRE* was submitted to the jury, and the jury found that Nobelpharma had brought the lawsuit knowing that the patent was invalid or unenforceable "and with the intent of interfering directly with Implant Innovations' ability to compete in the relevant market." A9-10. The current argument that the Court of Appeals has permitted an "end run" around *PRE* was never part of this trial; indeed, *PRE* was not identified as a case

having anything to do with *Walker Process*. Under these circumstances, plenary review is not appropriate.

### D. Further, The Relief Requested Is Nugatory Because The Federal Circuit Correctly Held That Any Further Jury Instructions On The *PRE* Issue Were Pointless — Passing Arguendo The Waiver Issue

Plenary review is also inappropriate because, as the Federal Circuit found, the fraud Nobelpharma perpetrated on the Patent Office was so egregious and pervasive that it could not conceivably prevail even if the district court had employed the objectively baseless test.

As above detailed, at trial Nobelpharma equated "actual knowledge" with "objectively baseless," substituting a finding of "actual knowledge" of the fraud as a proxy for the instruction proposed by 3i which used the phrase "objectively baseless." In other words, Nobelpharma asserted at trial that if a lawsuit is filed when the petitioner has actual knowledge of the fraud, the case does not have a reasonable basis and is automatically "baseless." The Federal Circuit agreed with this theory in principle and applied it directly to the facts of this case, holding that:

> [b]ecause we conclude that the finding of *Walker Process* fraud was supported by substantial evidence and was based upon a jury instruction that was not legally erroneous or prejudicial, we affirm the denial of NP's motion for JMOL. NP was properly deprived of its immunity from the antitrust laws under *Walker Process*, and it could not have benefited from additional jury instructions regarding *PRE* or *Noerr*.

Pet. App. 26a. Under these circumstances, the Petition should be denied because review of this case would have no impact on the outcome of this litigation.

## IV. There Is No Conflict Between The Circuits On The Issue Of Whether Intentional Omissions Can Result In A Finding Of Fraud Under *Walker Process*

To begin with, the second question presented has also been waived. The district court without objection instructed the jury that 3i's contentions were "that the inventors or their attorneys or agents made the following *misrepresentations or omissions*", (A7224 (emphasis added)):

- The first fraud was the failure to disclose material prior art. *Id.*
- The second fraud submitted without objection was the statements or omissions on "how to make the invention claimed." *Id.*
- The third fraud was the failure to disclose the best method of using the invention. *Id.*
- The fourth fraud was based on misstatements of fact: that intentional misrepresentations of fact were allegedly made to the PTO, including the relationship between human bone cells, micropits and osseointegration. A7224-25.

Further, this second question presented unfortunately labels the misconduct at issue (and the Federal Circuit's holding) as relating only to "mere omissions, like those at issue here." The question, therefore, assumes an utterly false premise. As discussed above, the misconduct "at issue here" includes knowing and fraudulent misrepresentations of material fact — in addition to affirmative and intentional omissions. While the Federal Circuit concluded that NP's failure to cite the inventor's 1977 book to the PTO, was enough to support *Walker Process* that the fraud here was anything but "mere omissions."[4/]

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[4/] The Federal Circuit did not address the fraud found by the jury on the three other theories.

Disclosure of the 1977 book would have exposed the existence of a statutory bar to issuance of the patent in question. *See* 35 U.S.C. § 102(b). In a declaration sworn to under penalty of perjury, Nobelpharma knowingly and falsely represented that the claimed invention had not been so disclosed. A10302. Therefore, it is simply disingenuous to characterize NP's fraud — even if limited to the failure to disclose the 1977 Book — as a "mere omission."

Regarding the alleged conflict among the Courts of Appeals, Nobelpharma fails to cite a single decision that rejects — as a matter of law — a *Walker Process* claim premised on an intentional omission. For example, in Nobelpharma's so-called "seminal case" of *Cataphote Corp. v. Dazed Chemical Coatings, Inc.*, 450 F.2d 769 (9th Cir. 1971), the Court stated that *Walker Process* fraud requires "intentional fraud involving affirmative dishonesty, 'a deliberate planned and carefully executed scheme to defraud the Patent Office.'" *Id.* at 772. This definition does not exclude intentional omissions. Moreover, one of the alleged "misrepresentations" was in the case that "Cataphote represented that its product had not been offered to the public, when it had." *Id.* at 772. This "misrepresentation" is in fact an "omission"; just as the inventor's omission of his prior publication in this case rendered false Nobelpharma's sworn "representation" that the invention had not been previously published.

Similarly, in *Clipper Exxpress v. Rocky Mountain Motor*, 690 F.2d 1240 (9th Cir. 1982), *cert. denied* 459 U.S. 1227 (1983), the Ninth Circuit held that the allegations were sufficient to state a claim and that, under *Walker Process*, the defendants were not immune from suit. 690 F.2d at 1260-61. *Clipper Exxpress* does not consider whether a *Walker Process* claim includes material omissions.

The Sixth Circuit's decision in *Potters Medical Center v. City Hospital Association*, 800 F.2d 568 (6th Cir. 1986), does not support NP's position. In *Potters*, the court held that summary judgment for the defendant hospital was properly granted because the plaintiff failed to offer any evidence that a misrepresentation was made "knowingly". *Id.* at 581. There was no omission issue

presented in the case; the issue was the knowledge of the defendant. *Id.* 800 F.2d at 581.

In *Bendix Corporation v. Balax, Inc.*, 421 F.2d 809 (7th Cir.), *cert. denied*, 399 U.S. 911 (1970), the Seventh Circuit did not hold that the *Walker Process* antitrust fraud excluded omissions. The Court merely held that the defendants in that case had "not met their burden of proving fraud on the patent office by clear and convincing evidence . . . ." Moreover, the Seventh Circuit in *Bendix* also cited with approval a publication of the ABA entitled *Antitrust Developments* 1955-1968. *See Bendix*, 421 F.2d at 819. These reports have consistently characterized *Walker Process* claims as including material omissions.

> A misrepresentation may consist of a positive misstatement *or merely a withholding of information that the Patent Office should properly have in order to rule on the issues presented by the application.*

*Antitrust Developments (Second)* at 492 (1982) (emphasis added).

The Fifth Circuit in *Beckman Instruments, Inc. v. Chemtronics, Inc.*, 439 F.2d 1359 (5th Cir. 1970), merely distinguished *Walker Process* fraud from "technical fraud" based on the level of intent necessary to establish the former. *See Beckman*, 439 F.2d at 1380-81 n. 25. In describing *Walker Process* fraud as "intentional fraud" involving "affirmative dishonesty," the Court cited its earlier decision in *American Cyanamid Co. v. FTC*, 363 F.2d 757, 768-72 (5th Cir. 1966), where the Fifth Circuit held that a patentee's withholding of evidence provided the FTC with jurisdiction to impose antitrust remedies. *See Beckman*, 439 F.2d at 1381 n. 25.[5/]

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[5/] *See also, E.I. DuPont de Nemours v. Berkley*, 620 F.2d 1247, 1270 (8th Cir. 1980) ("the withholding of any relevant material described in the instruction or prior art, facts, and information may form the basis for a finding of fraud."); *Oetiker v. Jurid Werker G.m.b.H.*, 556 F.2d 1 (D.C. Cir. 1977).

Any distinction between omissions and misrepresentations is also inconsistent with the rationale for condemning affirmative misstatements. *See* Phillip E. Areeda & Herbert Hovenkamp, ANTITRUST LAW, Vol. III, ¶ 706i1, at 171 (Rev. ed. 1996). Indeed, the antitrust bar and the basic treatises have always treated the *Walker Process* "fraud" as including "non-disclosed or misrepresented information." *See* Eunice A. Eichelberger, Annotation, *Fraud in Patent Procurement as a Violation of § 2 of the Sherman Act*, in 65 A.L.R. Fed. 409 (1983):

> Generally, the Courts have supported the view that in order for there to be the fraudulent procurement of a patent in the context of a Section 2 claim, there must have been knowing and willful misrepresentation *or withholding of information from the Patent Office.*"

*Id.* at 412 (emphasis added); *see also* Julian O. von Kalinowski, et al., *Antitrust Laws and Trade Regulation*:

> The principal conduct held by the courts to support a finding of fraudulent procurement of a patent involves either *the intentional failure to disclose relevant prior art* or the submission of false information in arguments or affidavits . . . .

Vol. 4, § 73.05[2][c], at p. 73-63 (1997) (emphasis added, footnotes omitted).

## V. The Federal Circuit Was Correct In Affirming The District Court's Evidentiary Rulings Regarding The Crime-Fraud Exception; Nobelpharma's Argument That A Conflict Exists Within The Various Circuits On This Issue Should Be Rejected

The facts supporting the lower courts' determination that the crime-fraud exception applied to communications between Nobelpharma's senior executives and their chief U.S. legal counsel, David Lindley, are simple, straightforward, and damning. Having first perpetrated a fraud on the Patent Office in obtaining the '891 patent, Nobelpharma next sought to "wipe out" its U.S. competition with expensive and protracted litigation based on

that patent, a plan it actually confirmed in writing. A5045-46; A10235-37. In a meeting of its senior executives, Nobelpharma's international marketing director instructed officials from its U.S. subsidiary to sue its major U.S. competitor on the '891 patent. A4377-79. The U.S. officers advised that filing such an action could raise "antitrust concerns." *Id.* The marketing director essentially advised the group that he did not care about such issues. *Id.* Nevertheless, another officer instructed the U.S. officials to obtain an opinion, obviously to provide "cover" to the illegal course of action Nobelpharma was determined to embark upon. *Id.* The U.S. officials themselves even recognized that the patent had been obtained by fraud. A4390.

The district court heard this testimony and determined as a fact that Nobelpharma's purpose in communicating the attorney Lindely was to aid an ongoing and future fraud — "the legal opinion was an afterthought, something that Nobelpharma believed could aid in the perpetuation of the fraud." Pet. App. 58a. The Federal Circuit held that "[t]he district court did not abuse its discretion or misapply the law of attorney-client privilege in making its evidentiary rulings . . . ." Pet. App. 27a. The district court's factual findings are supported by substantial evidence.

The uncontroverted evidence was that Lindley advised Nobelpharma's U.S. officers that if Nobelpharma "were to sue anyone on the ['891] patent we [Nobelpharma] would lose in the first round because there was prior art, not the least of which was this textbook [A10000-132] that would invalidate the patent." A4395-97; A4420-22. Nobelpharma subsequently ignored this advice and sued at least five of its competitors, including 3i, for infringement of a patent it knew was invalid and had been obtained by fraud. A4637-43; A4425; A5028-30.

Despite these egregious facts, by misrepresenting the holdings of two decisions rendered by the Ninth and District of Columbia Circuits, Nobelpharma has attempted to create an illusory split in the Courts of Appeals on whether rejected or ignored attorney advice given to a client intending to commit a fraud is

subject to the crime-fraud exception to the attorney-client privilege.

Contrary to Nobelpharma's arguments, no Court of Appeals (including the Federal Circuit here) has ever held that, as a matter of law, attorney opinions which are rejected or ignored by the client automatically fall outside the scope of the crime-fraud exception to the attorney-client privilege. Indeed, such a rule would be contrary to this Court's precedent as well as to common sense. None of the appeals court decisions cited in Nobelpharma's petition are in conflict regarding the question of what circumstances trigger the application of the crime-fraud exception.

Nobelpharma has also misstated the holdings of the courts below. Neither the district court nor the Federal Circuit held that the crime-fraud exception applies to communications which are not "used to advance a criminal or fraudulent scheme," as Nobelpharma suggests. Pet. at 25. In fact, the district court held that the privileged communications at issue here were "something Nobelpharma believed could help it perpetrate the fraud." Pet. App. at 58a. Finally, this Court should decline review of this issue because Nobelpharma waived the point below. Nobelpharma never argued in the courts below that, as a matter of law, the crime-fraud exception *could never apply to an attorney's advice which was either not followed or was rejected by the client.*

The law on this issue is straightforward: if a client seeks advice from an attorney with the *purpose* of using the advice to assist in the commission of a crime or fraud, the client's communications to the attorney, as well as the advice received from the attorney, are not protected by the attorney-client privilege. Fifty-five years ago, Justice Cardozo, writing for a unanimous Court in *Clark v. United States*, 289 U.S. 1 (1933), declared:

> A client who consults an attorney for advice that will serve him in the commission of a fraud will have no help from the law. He must let the truth be told. ... Nor does the loss of the privilege depend upon the showing

> of a conspiracy upon proof that client and attorney are involved in equal guilt. The attorney may be innocent, and still the guilty client must let the truth come out.

*Id.* at 15 (citations omitted).

More recently, this Court observed in *United States v. Zolin*, 491 U.S. 554 (1989):

> It is the purpose of the crime-fraud exception to the attorney-client privilege to assure that the 'seal of secrecy' ... between lawyer and client does not extend to communications 'made for the purpose of getting advice for the commission of a fraud' or crime ... .

*Id.* at 562-63 (citations and quotations omitted) (emphasis in original).

The law regarding the application of the crime-fraud exception was recently set forth by the D.C. Circuit in *In re Sealed Case*, 107 F.3d 46 (D.C. Cir. 1998):

> And so the attorney-client privileged is subject to what is known as the crime-fraud exception. Two conditions must be met. First, the client must have made or received the otherwise privileged communication with the intent to further an unlawful or fraudulent act ... . Second, the client must have carried out the crime or fraud.

*Id.* at 49 (citations, footnote, and quotation omitted). The facts of the instant case fall squarely within this rule: Nobelpharma's purpose in communicating with Lindley was to seek advice on how to perpetrate a fraud (sue a competitor on a patent procured by fraud) and, despite receiving Lindley's advice, Nobelpharma carried out its unlawful scheme in violation of the Sherman Act.

The D.C. Circuit's decision in *United States v. White*, 887 F.2d 267 (D.C. Cir. 1989), is not inconsistent with the Federal Circuit's decision in this case. *White* clearly leaves the door open as to whether the crime-fraud exception could apply in cir-

cumstances where the client rejects the advice – if the client's purpose in seeking the advice was to commit a crime or fraud. *See White*, 887 F.2d at 271-72 n. 2.[6]

The Ninth Circuit decision relied on by NP in support of its "conflict" argument is *United States v. Bauer*, 132 F.3d 504, (9th Cir. 1997). The *Bauer* decision is consistent with the rule adopted by the Federal Circuit. In *Bauer*, the Ninth Circuit correctly ruled that it is not enough for the Government to establish the crime-fraud exception by merely demonstrating that the client sought legal advice but subsequently ignored it and committed a crime. In *Bauer*, the Government failed to offer sufficient proof that the client sought legal advice for the *purpose* of committing a fraud.

The law is clear and certain: "A client who consults an attorney for advice that will serve him in the commission of a fraud will have no help from the law." *Clark*, 289 U.S. at 15. This rule was precisely the one followed by the courts below.

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[6] Indeed, the Petition carefully crops an important statement of the law set forth in *White*. At page 27 of the Petition, Nobelpharma omits the following statement relating to the client's *intent*: "To subject the attorney-client communications to disclosure they must actually have been made with an *intent* to further an unlawful act." 887 F.2d at 271 (citations omitted). The courts below not only followed this rule, the district court made an express finding that 3i had satisfied this requirement.

## CONCLUSION

For all the foregoing reasons, Nobelpharma's Petition should be denied.

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